
FISCAL PROFILES, 2006

*The Fourteenth in a Periodic Series
of Factsheets About the Financing
of California Higher Education*

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
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Introduction

F*ISCAL PROFILES 2006* is the fourteenth in a series of periodic reports by the California Postsecondary Education Commission of statistical information on the financing of the State's public higher education institutions. It also includes selected financial and enrollment information on public elementary and secondary education and on California's independent higher education institutions.

Executive summary

On June 27, 2006, the Legislature passed a budget for the current 2006-07 fiscal year and on June 30th, the Governor signed a final version of this budget into law. This current year update relies on information available through August 2006 from the budget, as supplemented by other legislative and administration sources. Information shown for earlier years comes from the affected higher education segments and other data providers.

The reader is cautioned that the information and analyses presented for the most recent years in this initial iteration of Fiscal Profiles, 2006 is based upon budgeted totals for 2006-07. During the course of the year, actual allocations will vary from these totals.

The 2006-07 budget includes more than \$101 billion in State General Fund spending, an increase of \$3 billion over the January Budget's proposed \$97.9 billion. Including more than \$27 billion in selected State Special Funds, the total proposed State budget for 2006-07 will be \$128 billion.

The proposed 2006-07 budget for the State of California represents the first significant expansion in State spending since the beginning of the decade. Both the prior year (2005-06) and current year (2006-07) budgets benefit from nearly \$8 billion in additional revenues now projected to accrue to the state due to increased tax collections tied to improved economic performance.

The 2006-07 budget also provides nearly \$5 billion to repay debt accumulated over the past two fiscal years. \$2.8 billion in General Funds is allocated to repay loans from transportation funds, local governments, schools, and other special funds, while \$2.1 billion is set aside as General Fund reserves and to reduce the balance of the Budget Stabilization Account, created through Economic Recovery Bonds authorized by the voters as Proposition 57 in March 2004.

For California higher education, the 2006-07 Budget provides nearly \$11 billion in State General Fund support for California higher education, an

increase of \$931 million (9.4%) above revised 2005-06 funding. Including the \$1.9 billion in local revenues that are a major component of community college funding, total higher education State funding in 2006-07 is almost \$13 billion, 8.2% higher than in the previous year.

For higher education, 2006-07 and revised 2005-06 budgets contain several program expansions and initiatives for the California Community Colleges, the California State University and the University of California. The major initiatives are summarized below:

- Nearly \$500 million in combined base-budget funding increases (including cost of living adjustments) for the public systems;
- A total of nearly \$127 million to fund enrollment growth of 2.5 percent for both UC and CSU, which translates into approximately 5,150 new full-time-equivalent students (FTES) at UC and 8,300 additional FTES at CSU;
- \$97.5 million to fund enrollment increases of approximately 23,000 FTES in the California Community Colleges.
- No increase in systemwide resident student fee levels in the public systems, with a total of \$126 million provided to backfill the anticipated forfeited student fee revenues in the CSU and UC;
- A reduction in community colleges' systemwide resident student fees from \$26 per unit to \$20 per unit, effective in Spring 2007, with \$40 million provided to backfill the anticipated forfeited CCC student fee revenues, and;
- \$108.4 million increase (14.7%) in State General funding for the California Student Aid Commission, including an estimated \$39 million increase in the Cal Grant Program funding.

For K-12 Education, the new budget includes substantial increases in Proposition 98 spending. Including revised funding levels for 2005-06 (as increased by the May Revise), total K-14 Proposition 98 spending in 2006-07 will have grown from around \$50 billion at the end of the 2004-05 fiscal year to more than \$55 billion in the current year. The budget also provides \$2.8 billion one-time funds under the Proposition 98 funding guarantee to K-12 and the community colleges – \$2.5 billion to K-12 and \$300 million to the community colleges.

The 2006-07 budget benefits greatly from increased tax revenues and makes strong steps towards long-term fiscal balance by paying off previously acquired debt. The budget funds many new initiatives and makes significant repayments of prior obligations. Should California's currently strong economic performance continue, the State's persistent structural budget deficit could diminish, however a weaker State economy will ex-

acerbate this deficit and put at risk some of the fiscal commitments made in the revised 2005-06 and new 2006-07 state budgets.

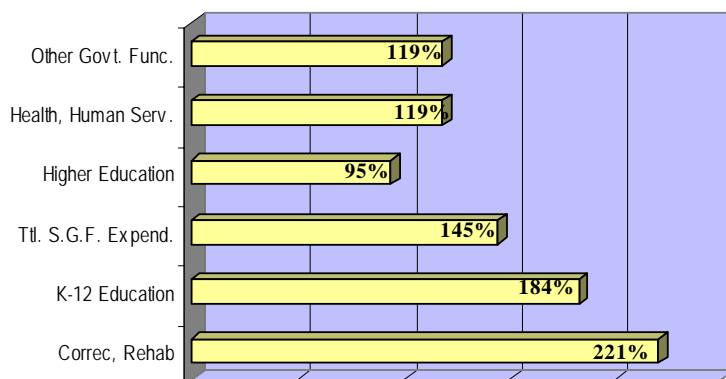
The impact of 2006-07 spending on long-term state financing is evident in several fiscal profiles displays. Both overall financing displays and those for specific categories show the impact of the ramped-up levels of spending of the just-prior and current fiscal years. Both K-12 and Higher Education State General Fund spending have grown by larger percentages when compared with 5 years ago, than when compared with 10 years ago. Similarly, while General Funds for the University of California are still 7% below 2001-02 levels, General Funds at the State University are up 3% from 2001-02 levels. Significantly, combined State General Funds plus Local Revenues in the California Community Colleges are now 53% higher than in the 2001-02 fiscal year, with most of that growth accounted for in the past two fiscal years.

These numbers show a major improvement in higher education finances, tied almost directly to the improved economy. As is the case with so many other government-funded services, higher education in California continues to ride the “boom and bust cycle” of public financing.

Background

Chart 1 below shows the cumulative percent change, by major expenditure category, of State General Fund expenditures over the past 16 years (data from 1990-91 through 2006-07). The five smaller budget categories - “Legislative, Executive, Judicial,” “State and Consumer Services,” “Business, Transportation, Housing,” “Resources,” and “General Government Services” - are combined and shown under the heading “Other Government Functions.” This change moderates some of the substantial fluctuations in funding levels for these individual categories over time.

CHART 1 *Percent Change in State General Fund Expenditures from Fiscal Year 1990-91 to 2006-07 (est.)*



As the chart shows, General Fund spending for Higher Education has increased 95%, just over half the 184% rate of growth in spending for K-12 education during that time.

Through 2006-07, the category “K-12 Education” (184%) falls just behind “Corrections and Rehabilitation” (221%) as the fastest growing area of General Fund support since 1990-91. “Total” General Fund spending (145%) is in the middle of the five categories shown here. State General funding increases for “Other Government Functions” and “Health and Human Services” (119%) fall within a

fraction of a percent of one another.

These numbers represent a significant change from what this measurement showed two years ago. The relative rankings have not changed

much, rather, the sheer scope of spending has increased greatly. Two years ago, 1990-91 – 2004-05 State General Fund spending had risen in a range of 60% – 140%. However, as projected through 2006-07, this spending increase now ranges from 95% – 221%. This growth in the overall level of General Fund spending is more evidence of the State's improved economic health these past two years, since the main revenue sources of the State General Fund are economy-dependent sales, income and corporate tax collections.

As noted, State General Fund spending for the category "Higher Education" has increased only 95% between 1990-91 and 2006-07, the lowest rate of growth measured here. However, this change is impacted by other decisions on fund sources for higher education. As is documented in later displays in this report, higher education funding has become much less dependent on State General Funds in recent years.

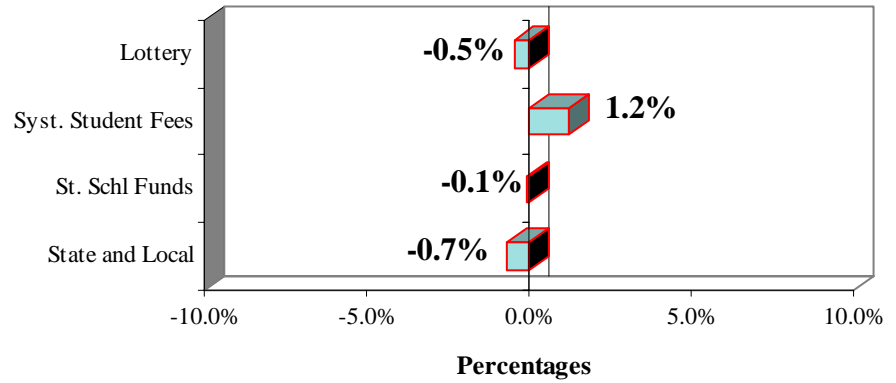
Chart 2 on the next page shows percentage-point changes in the proportion, or share, of total public funds over the last 20 years represented by each of four "State-determined funds." These funds are defined as those over which either the State or the education systems themselves have policy control for the Community Colleges, the State University, and the University of California. Year-by-year breakdowns of the proportions of each system's separate State-determined fund sources are presented in Display 69 and also discussed in this section.

For the California Community Colleges, the relative proportions of its State-determined funds sources have changed little since 1986-87, and in ways consistent with the other two public systems. The community colleges' largest funding source, State General plus Local Property Tax revenues, has declined just over two-thirds of one percent over this time. Lottery and State School Funds have also declined fractionally as shares of total community college funding. The largest change over the twenty years is a 1.2 percentage point increase in systemwide student fee revenues as a proportion of total State-determined funds. Student fee revenues have averaged over 5% of State-determined funds over the past four years. This is the second highest four-year average share of total community college funding ever represented by student fee revenues in the system. For 2006-07, combined State General and Local funds continues to account for nearly 93% of the community colleges' total State-determined funds (see Display 69).

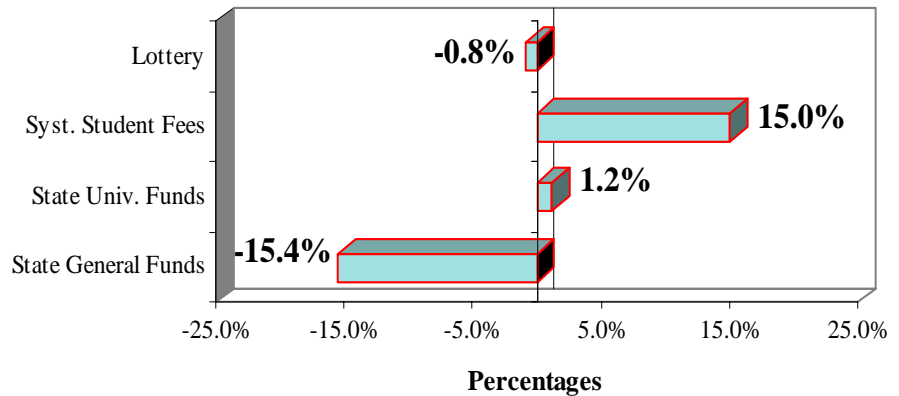
At the California State University, State General Funds as a proportion of the system's total State-determined funds has declined by 15.4 percentage points over the past 20 years. As a proportion of the total, State General Funds are now at their second lowest share of the 42 years covered in this display, representing less than 68% of total State-determined funds in 2006-07 (Display 69).

CHART 2 Changes in the Proportions of Total "State Determined Funds," by Fund Source, for the Three Public Segments of California Postsecondary Education, for Fiscal Years 1986-87 and 2006-07

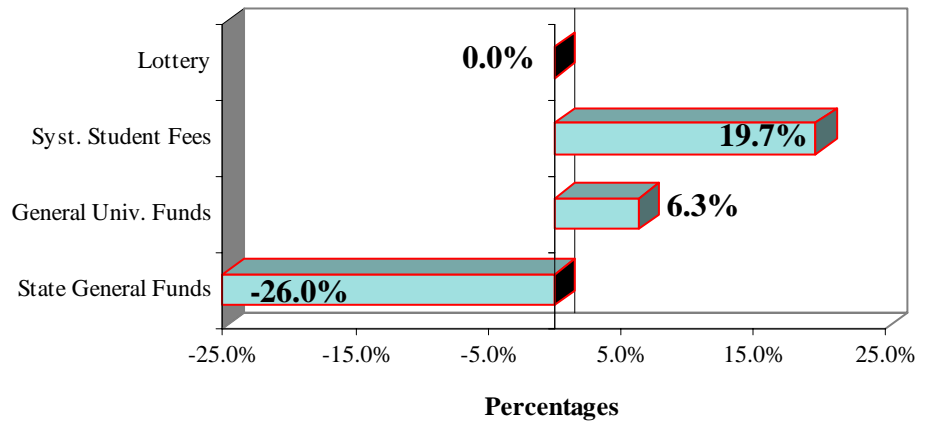
***California
Community
Colleges***



***California
State
University***



***University
of California***



For 2006-07, “Net” State University Fund (State University Revenues minus Systemwide Student Fee revenues, displayed separately here) are 1.2 percentage points higher in the current year than they were in 1986-87. Currently these funds comprise 5.3% of total State-determined funds. The State University’s Lottery revenues represent 1.2% of the total, identical to its proportion in last year. Though experiencing a high of for 2.8% of total State University State-determined funds in 1989-90, Lottery revenues have averaged less than 1.4% of this total over the 22 years of its existence. Lottery funds in the three public higher education systems over the most recent 16 years have rarely exceeded half of their highest proportions of State-determined funds, these highs all having occurred during the initial five years of the Lottery.

State University’s revenues from resident Systemwide Student Fees in 2006-07, as a share of State-determined funds, are projected to represent a proportion more than 15% higher than in 1986-87. As a share of the total, these student fee revenues are now nearly 26%, as compared with less than 11% in 1986-87, the first year of this measurement. Systemwide student fee revenues in current and prior years represent their second highest and highest proportions, respectively, of total State University State-determined funds in the 42 years measured here (see Display 69).

In the University of California, State General Funds as a proportion of total State-determined funds have dropped by more than 26 percentage points since 1986-87. General University funds (nonresident tuition and miscellaneous student and institutional revenues), as a proportion of the total, have increased by more than 4 percentage points and these funds now represent 11% of State-determined funds. The proportion of the total represented by Lottery funds at the University is the same now (0.6%) as it was in 1986-87.

Even more so than in the other two public systems, Systemwide Student Fee revenues’ share of State-determined funds has grown significantly at the University, up almost 20 percentage points since 1986-87. Owing to the budget decision to freeze resident student fee levels, while providing additional State General funds to “buy out” this increase, the share of total State-determined funds represented by student fee revenues projected for 2006-07 (28.1%) is one percentage point below last year’s levels. Yet student fee revenues in the University for these two years represent the largest shares of total State-determined funds ever measured for fee revenues in any of the three systems in the 42 years of data in Display 69.

At 60.2%, University State General Fund’s share of its State-determined funds is higher than in either of the two preceding years, yet is at its third-lowest proportion in the 42 years measured here (see Display 69).

**Organization
of the report**

Fiscal Profiles 2006 contains 101 statistical displays organized under 16 major categories of information. Appendix A contains five pages of multi-year summaries of much of the data from these displays. The information presented in the displays for the immediate past fiscal year (2005-06) and the current fiscal year (2006-07) are estimates and budget-based projections representing the most up-to-date information presently available on the varied aspects of California State government finance. The information contained in the report has been compiled from, and verified by, a variety of sources involved with the development of the annual State budget.

***State General Fund
Appropriations***

Displays 1 through 3 describe overall State General Fund appropriations, shares of total spending, and annual percentage changes in nine programmatic areas the State uses to categorize its yearly-spending plan for this fund source through 2006-07. Over the past few years, some agencies formerly contained within categories – such as the California EPA and the Labor and Workforce Development Agency – have themselves been reclassified as stand-alone program categories. For consistency and for purposes of this analysis, this report continues to show these entities within their former program categories.

As shown in Display 1, total State General Fund spending has increased greatly over the past two years, rising from just under \$80 billion in 2004-05 to an estimated \$98 billion in the current year. Total General Fund spending has increased by only 29% over the last 5 years (see Appendix A). The prior and current fiscal years are first ones in which total General Fund spending was higher than in pre-recession year 2000-01.

Information in Display 2 shows that for 2006-07, the share of total General Fund expenditures represented by higher education is only 11.5%. This share is the third lowest measured here over the past 40 years and the four most recent years all represent the four of the lowest proportions of State General Fund spending allocated to higher education. As is documented in later displays, total higher education funding has increased appreciably in the current year, however much of this increase comes from other sources, such as local revenues for the community colleges as part of Proposition 98. Over the past 20 years, higher education's funding resource base has diversified greatly beyond the State General Fund, including minor sources such as the California State Lottery. The major growth sources in public funding over this time are the continued post-Proposition 13 recovery of local property tax revenues and an increasing influx of resident student fee revenues.

At 41.2%, K-12 Education's share of anticipated 2006-07 State General Fund expenditures continues its recent trend of historic highs. Three of the six highest years of K-12's share of the General Fund have been the three most recent years.

Other expenditure categories experiencing near historic highs of their respective shares of the State General Funds are “Legislative, Judicial, Executive” (3.5%) and “Corrections and Rehabilitation” (8.7%). However, for “Legislative, Judicial, Executive,” this high is within a very tight range. “Corrections and Rehabilitation’s” 8.7% share of total General Fund spending is tied for its highest ever in the 40 years of this analysis and its anticipated 9.9% growth is the second largest year-to-year percentage growth behind only the 29.3% growth expected for the much smaller “Resources” expenditure category. “Corrections and Rehabilitation” also continues to be the expenditure category with the highest growth in State General Funds over the period of time covered in this analysis (Appendix A).

At more than \$29 billion in 2006-07, “Health and Human Services” is the second largest State General Fund expenditure category behind K-12 Education. These two categories by themselves account for more than two-thirds of overall General Fund expenditures. The “Health and Human Services” percentage share of this total is now estimated at 29.8%, a slight increase over the prior year. State fund comparisons involving this category can be misleading, since it includes major federal fund programs such as medical assistance. In actuality, total federal spending for California “Health and Human Services” programs is budgeted at more than \$30 billion, which is higher than its General Fund spending levels.

The information in Displays 1 – 3 show little change in proportions of the total for the smaller General Fund spending categories of “Legislative, Judicial, Executive”; “State and Consumer Services”; “Business – Transportation – Housing”; “Resources”; and “General Government.” In dollar terms, combined spending in these five categories is \$8.6 billion, which is less than 9% of overall State General Fund spending. Still, these categories account for some of the most important services the State provides to the populace on a daily basis, such as management of natural resources, consumer information and protection, and the development of the state’s transportation infrastructure. As is the case with “Health and Human Services,” these categories include many federally funded programs – such as transportation. As with “Higher Education,” some of these programs have also become more heavily reliant upon targeted user fees over the decades.

Displays 4 and 5 show State personnel years (filled positions) and State employee salary cost estimates for the five major budget expenditure categories, along with individual proportions of personnel years (PYs) and accompanying salary costs since the 1967-68 fiscal year. “Higher Education” accounts for around 35% of total PYs, just over 32% of accompanying salary costs. Although movement in these relative shares generally occurs in the low tenths of one percent, both of these numbers are among the lowest ever for “Higher Education.” The largest number of State government filled positions and total salaries projected for 2006-07 reside in the combined five smallest budget categories, here labeled

“Other Government Functions” category, however the single largest State budgeting category in terms of numbers of positions and salary costs is “Corrections and Rehabilitation.” As accounted for here, positions and salary costs for the University of California are excluded, but if the University were a state budgeting category it would surpass “Corrections and Rehabilitation,” in terms of personnel years and would be a close second in terms of the costs of those positions.

Budgeted positions in “Health and Human Services,” as a share of the total, dropped by one third six years ago due to the reclassification of some functions formerly in that category. The year-to-year change for this category in 2006-07 shows only a fractional increase in its share of funded positions (0.1%), coupled with a nearly one-half percent increase in associated share of costs. The category “Corrections and Rehabilitation” anticipates a three-tenths of one percent increase in its share of overall budgeted positions but an identical reduction in its relative share of costs in 2006-07. “Corrections and Rehabilitation’s” 18.2% percentage of total positions is a 40 year high and its 21% share of positions costs is its second highest share ever for the 40 years measured in these displays.

The positions and salaries shown for the category “K-12 Education” do not include local district personnel. Therefore, this category has maintained a very small share – generally, less than 1% – of total State personnel positions and costs over the past 20 years and only a few tenths of a percent more than that for the first 20 years of this measurement. It is difficult to quantify changes that have occurred in the relative shares of state positions and costs for the category “Other Government Functions,” because of the variety of functions it combines. Given the wide range of state services included, it is somewhat surprising that over time the range of highs and lows of positions and costs in this category is less than 7 percentage points.

Over the 39 years of change measured in Displays 4 and 5, and quantified in Appendix A, “Corrections and Rehabilitation” has seen the largest increase in the proportion of any category in both its total filled positions (520%) and its salary costs (4,680%). The next highest growth category, “Higher Education,” has seen only a quarter as much increase in positions (119%) and salaries (1,240%) during this time. Total state personnel years have increased by 106% and accompanying position costs by 1,327%, since 1967-68.

Display 6 presents State General Fund expenditure for State operations and local assistance in the five major budget expenditure categories shown in actual and “constant” 2006-07 dollars, using the State and Local Government Purchases Index (see Display 65) to control for the effects of price inflation. The first page of Appendix A shows changes over time in these data, in intervals from 1967-68 through the current year. These data show that when the viewed in constant dollar amounts, General Fund

spending for “Higher Education” has increased just 210% in 39 years, the smallest margin of any of the five categories. This is less than two-thirds the rate of inflation-adjusted growth in spending for the State as a whole (350%).

The expenditure category with, by far, the largest inflation-adjusted spending increase over time is “Corrections and Rehabilitation,” with a constant-dollar General Fund spending increase of 889% since 1967-68. Second since 1967-68 is “Health and Human Services” with inflation-adjusted General Fund spending growth of 382%, followed by “K-12 Education’s” 347% constant-dollar increase. Spending in the combined category “Other Government Functions” has increased 295% in inflation-adjusted dollars over this time.

Spikes in spending, along with sudden declines, have occurred in all of these state expenditure categories over time and are usually the result of some new or revised policy initiative. However, the data in Displays 1 and 6 show that “Corrections and Rehabilitation” spending has been on a steady increase since the early 1980s, with significant year-to-year increases from the late 1980s into the present day. Whether measured in terms of actual dollars (Display 1), constant dollars (Display 6), increases in annual funding (Display 3), shares of state funded positions (Displays 4 and 5), changes in proportions of total State General Funds (Display 2), or any combination thereof (Appendix A), growth in “Corrections and Rehabilitation,” funding has outpaced all others. While there are categories in which the State spends more State General Funds than on “Corrections and Rehabilitation,” this expenditure category has clearly become the state’s highest priority program for the commitment of new General Fund monies for more than a quarter century.

*Total State
spending plan*

Display 7 shows the three different categorizations of revenue sources that comprise State General Fund revenues and a portion of State Special Funds over the past 41 years. There have been multi-billion dollar swings in “projected vs. actual” tax and fee receipts and inter-fund transactions during this decade and this volatility is reflected in the display, particularly for “Loans and Transfers.” With this category expected to end up with a \$25 million negative balance in the just concluded 2005-06 year and to incur a negative balance of \$629 million by the end of the current year, measuring changes in “Loans and Transfers” over time can be misleading.

The decision to lower the State’s vehicle license fee rate in 2003 accounts for most of the nearly \$6 billion drop in “Minor” tax (regulatory fees and proceeds from governmental transactions) funding between 2002-03 and 2003-04. While revenues generated by “Minor” taxes have risen by 53% over the past ten years, they have fallen by 83% over the past 4 years from a 2002-03 high of \$12.9 billion. This year’s projected \$2.2 billion is also 22% below estimates for the prior year’s \$2.8 billion.

“Major” tax receipts (mostly income and sales-based taxes) are expected to increase by \$2.3 billion (2.6%) in 2006-07 over 2005-06 levels and by 69% over the past 10 years. Including loans and inter-fund transfers, the total of these revenues in the current year is projected to be \$93.9 billion, a \$1.1 billion (1.2%) increase above last year. Over the last ten years, the totals of these revenues have increased by 60%. Due to the sheer volume of “Major” sources, and the early 2000s decline of “Minor” sources, change over time in the totals tends to track fairly closely with changes in “Major” revenue sources.

New to the report this year is Display 7a, which shows how much money is actually generated – the net yield to the state – by individual State taxes and fees. As inclusive as this display attempts to be, it should be noted that it does not include all State and local revenue sources. As would be expected, Sales and Use taxes and Personal Income taxes generate the majority (78%) of these funds. The display also shows the economic recession sensitivity of these two categories. After more than doubling from 1982-83 to 1991-92, Sales and Use tax revenues flattened-out for the next four years. California’s Personal Income tax receipts appear fairly recession-proof over the 37 years of this display. However, these revenues experienced a larger one-year decline between 2000-01 and 2001-02 (\$11.6 billion) than the total amount of personal income tax receipts just 15 years earlier in 1985-86 (\$11.4 billion).

Corporation tax revenues are the third largest source, anticipating more than \$10 billion in collections for the current year, followed by an expected \$8.8 billion in combined vehicle fee and fuel taxes. Estate and Gift tax rates were revised downward by Proposition 6 in 1982 but later still generated a high of \$934 million in 2000-01. However, this State tax was phased out beginning in 2001 and as of 2005-06, no longer exists. Whether measured in actual or 2006-07 constant dollars (using the State and Local Government Purchases Index as a deflator), no one source include here has risen as fast as have Personal Income tax collections. This source has risen 3,807% in actual dollars and 616% in constant dollars; the next closest rate of increase is for total revenues show here, at 1,814% in actual dollars and 251% in constant dollars. Corporation tax receipts (actual: 1,784%; constant: 245%) and Sales and Use tax receipts (actual: 1,726%; constant: 234%), respectively, have experienced the third and fourth fastest rates of growth since 1970-71. In future years, this report will examine these important State revenue sources in greater depth.

Displays 8, 9 and 10 detail the “Total State Spending Plan” since 1965-66. This plan accounts for nearly all State appropriations of State and non-State funds in five funding categories used by the State. Total State government-authorized spending in California for 2006-07 is projected to be above \$281 billion, as increase of \$7.8 billion (2.8%) over 2005-06.

For 2006-07, all five funding categories are anticipated to experience one-year increases in revenues. Local Property Tax revenues are projected to

increase 8.2% this year, followed by State General Fund revenues at 4.4%. “Nongovernmental Cost” funds (monies derived from sources such as working capital revolving funds, bond funds, and retirement funds), the second largest funding category, is expected to grow at the slowest rate (0.5%), exceeded only slightly by the 0.6% rate of increase projected for State Special Funds and Federal Funds.

Although the State General Fund is the largest and most well known component of State government spending, it is projected to account for only 32.5% of the State Spending Plan for the current year, as is presented in Display 9. After years of accounting for an average of above 40% in the post Proposition 13 era, with the recession of the early 1990s, State General Fund’s share of the total began to decline and for the most recent 3 years has hovered around 32%. All of the revenue categories show only fractional (less than 1%) change in their proportional shares for the current year, although at 14.5% Property Tax revenues are at their highest proportion in more than a decade.

These displays also show Local Property Tax revenues to be the most reliable source of “growth” funds for the financing of public services in California over the 42 years measured here. From 1965-66 through the current year, there has been only one year in which these local revenues did not increase: 1978-79, the first year of implementation for Proposition 13. Every other year – with the exception of 1973-74 – these revenues have continued to grow and nearly always at annual rates well above measured inflation.

In contrast to this picture of growth, in an historical context, local property tax revenues over the nearly 30 years since the passage of Proposition 13 have averaged nowhere near the 34% of total State spending it represented during the thirteen pre-Proposition 13 years shown here. Rather, the post-Proposition 13 average share of the total represented by local property tax revenues averages less than 14.5%.

For many years, the pre and post-Proposition 13 proportions for the State General Fund evidenced the opposite of the trend for local property taxes. In the thirteen pre-Proposition 13 years, General Funds averaged just over 31% of total State spending, but for the 28 post-Proposition 13 years, General Funds have represented an average almost 38% of total State spending. However, as noted earlier, this trend has lessened significantly in recent years. State Special Funds, while fluctuating somewhat from year to year, has gradually increased its share of total spending over the last 20 years. Averaging only 9% over the past 20 years, it still represents a relatively small share of the Total State Spending Plan, however these special funds -- which include user fees, such as student fees -- have grown in importance in how California finances its operations.

Changes in the funding levels of the five funding categories of the State Spending Plan is even more evident in Display 10, which shows these

funds in both actual and 2006-07 “constant” dollars. The first page of Appendix A shows these calculations over a 41 year period. The range of percent changes in “constant” dollars are a high of 832% for Nongovernmental Cost Funds, 374% for the State General Fund, 351% for Federal Funds, 332% for the Total State Spending Plan, and 211% for Special Funds. However, Local Property Tax revenues in constant dollars have grown only 62% since 1965-66.

Display 11 describes Proposition 98 funding for public K-12 education and the California Community Colleges and Display 12 shows the “State Appropriations Limit” (SAL). The Proposition 98 data shown in this display is more informational than explanatory, given its complex nature and the annual negotiations and policy decisions surrounding it. For the 2006-07 fiscal year, the Proposition 98 funding guarantee to public schools and community college is projected to be in excess of \$55 billion. This total includes all State and local fund sources. This is an increase of \$1.8 billion, (3.3%) over the prior year. The California Community College’s 2004-05 share of Proposition 98 revenues is estimated to 10.7%, its highest share of Proposition 98 funding in 16 years. The highest share of Proposition 98 revenues the Community Colleges have ever received was 11.8% in 1990-91.

Total Proposition 98 funding has increased 27% in the last five years and has grown by 184% over the 19 years the initiative has been in effect. New to this year’s Proposition 98 display is the column “Amount Adjusted.” This column shows any agreed upon under-appropriations of the Proposition 98 funding guarantee for the years in which the under-appropriations occurred. These amounts are to be repaid in subsequent fiscal years. When the repayments are made, they will result in changes in the Proposition 98 funding levels shown for the affected prior fiscal years

The information in Display 12 shows the State Appropriations Limit (SAL), which is calculated each year as a requirement of the 1979 voter-approved initiative Proposition 9 in 1979. The SAL is calculated based on changes in California Per-Capita Income, State population growth, and K-12 student enrollment. In prior years it was not uncommon for budget year projections of covered spending to be relatively close to the SAL, but for the final calculation of the limit to be well above final spending. The last six years have seen SAL spending at its lowest point, relative to the spending ceiling, of the entire 28 year history of the SAL, with appropriations in 5 of the last 6 years being the lowest ones ever.

For 2006-07, SAL-covered spending is projected to be \$56.2 billion, which represents 78% of the calculated \$72.1 billion State appropriations ceiling. As is shown on page 1 of Appendix A, the calculated limit itself has increased by 474% since its inception, while net appropriations included within this limit have grown only 343%. Legislative and voter initiative changes in the definitions of the limit have resulted in increases

in revenues excluded from the SAL. These “non-SAL” state appropriations have increased 55% in the last five years and 568% over the 28 years of the State Appropriations Limit.

*Funding per unit of
full-time-equivalent
student enrollment*

Displays 13 through 15 show total funding from various sources per full-time-equivalent student enrollment for the California Community Colleges, the California State University, and the University of California through 2006-07. The three displays are informational in nature for comparisons of changes in per-student funding from selected sources *within* individual systems; not *between* them. Each display represents funding levels related to the distinct educational missions of the individual systems and, for that reason, they are not comparable.

As shown in Display 13, combined State General Funds and systemwide student fee revenues per full-time equivalent student at the University of California for 2006-07 are projected to be \$21,365, a one-year increase of \$720 per funded student (3.5%). While this is the highest level of per-student funding in the past 5 years, it is still \$1,032 (4.6%) below the pre-recession 2000-01 fiscal year level. This decline is even more pronounced when measured only in terms of State General Funds per FTE student. This funding is now estimated to be \$4,076 (21.9%) lower in the current year than in 2000-01.

Combined 2006-07 State General Funds plus systemwide student fee revenues per full-time equivalent student at the California State University (Display 14) is projected to decline \$219 (2%) from prior year levels. Unlike the University of California, however, the six-year change in this funding at the State University is an anticipated increase of \$889 (8.8%) per funded student since 2000-01. Yet, similar to the University, when only State General Funds per student are measured, they show a six-year decline of \$502 (5.9%).

For both the University and State University systems, Displays 13 and 14 also show that the proportion of this per-student funding that is represented by systemwide student fee revenues has grown substantially over the 42 years of these displays. The percentage of combined “state plus student” revenues used in this per-funded student calculation represented by student fee revenues has increased from the 9 – 12% range in 1987 to the 28 – 32% range today.

For 2006-07, Display 15 shows that average funding per FTES from combined State, student, and local fund sources is projected to increase by \$197 (3.7%) in the California Community Colleges. The change in this combined funding since just prior to before the last recession is a growth of \$1,055 (23.5) in per-FTE funding. The community colleges have experienced a significant growth in this measurement of per-student funding over the last 3 years, with average annual increases of more than 8%.

For each of the public higher education systems, the upward trend in per-student funding for the two most recent years has been driven by both increases in combined funding – particularly student fee funding – and moderation in enrollment growth. This combination of factors has the effect of spreading increasingly available dollars over relatively fewer FTE students, which increases the per-student funding.

Displays 16 through 18a contain information on average appropriations per full-time-equivalent student for instructional-related activities (I-R) in the public systems and expenditures per FTE for instructional-related activities in selected California independent institutions. The public-sector information is an annual update based upon the 1993 Commission report, *Expenditures for University Instruction* (CPEC 93-2) and information for the independent sector was provided by the Association of Independent California Colleges and Universities (AICCU). The methodology for determining instructional-related revenues was developed by the Commission and the three public higher education systems, in consultation with the Department of Finance, the Legislative Analyst's Office, and other State officials in 1993 (see "Notes and Sources").

This comparison is presented for the State's three public postsecondary systems through the 2005-06 fiscal year. It also includes expenditures per FTE for instructional-related activities in AICCU institutions through fiscal year 2004-05. The information is shown by major State and institutional fund sources, labeled here "State-determined funds," and as totals for each system. In addition to actual dollar amounts, 2005-06 "constant" dollars are shown here (2004-05 for the independents), calculated using the Higher Education Price Index to mitigate the effects of inflation over time. Excluded here for the public postsecondary systems are all federal and private fund sources.

These data show that total average per student I-R funding for the California Community Colleges in 2005-06 is projected to increase by \$555 (11.3%) above 2004-05 levels. Similarly, total I-R funding for the California State University and University of California also increased in the past year, \$512 (4.5%) in the State University and \$1,601 (9.6%) in the University. The most recent year-to-year change in average per student funding in the state's independent institutions in an increase of \$315 (1.3%) in 2004-05.

As is shown in Appendix A, averages of per student instruction-related revenues have increased for all three public systems over time. Since 1980-81, these funds have increased 214% in the community colleges, 193% in the State University, and 169% in the University of California, with accompanying steady growth over interim periods. Another development over time is the gap that emerges between changes in per-student funding from State General Funds versus combined funds, which include the Lottery and, more importantly, systemwide student fee revenues. This finding is not as relevant in the community colleges due to its rela-

tively low student fee levels (and fee waiver program) and its large reliance on local property tax revenues as part of Proposition 98. For the State University and the University of California, the State General Fund portion of I-R per FTE funding has increased only 98% and 87%, respectively, since 1981, and has declined over the past three and five years for both systems.

When measured in 2005-06 “constant” dollars, all three public systems show year-to-year increases in total per student funding for instruction-related activities. Total constant dollar I-R funding per student drops 7.1% for the community colleges and 3.4% for the State University, but increases 2.9% for the University of California. Information on the second page of Appendix A shows longer-term changes for this display. Since 1980-81, the display shows that in constant dollars, total average I-R funding per student has declined at all three public systems – 13% for the community colleges, 15% for the State University, and 8% for the University of California.

For State General Fund I-R per student revenues, the constant dollar declines are more apparent. Both the State University (-31%) and University of California (-35%) have seen significant declines in this measurement over the quarter century covered in this measurement. For the community colleges, constant dollar State General plus Local I-R funding has increased just 1% over this period.

The data also show that per-student funding generated by systemwide student fee revenues (SSF) has greatly increased, both in absolute and relative terms over time. State University and University of California actual dollar SSF per student funding has grown by 1,373% and 752%, respectively, since 1980-81. Even in constant dollars, the rate of increase in the student funded portion of I-R revenues far outstrips the total – 415% for the State University and 198% for the University of California. Even for the community colleges, the 237% actual and 52% constant dollars increases in student funded I-R revenues are higher rates of growth than either State General plus local funds, or total I-R funds.

2004-05 constant-dollar I-R per-student expenditures for the AICCU institutions show a decrease of 2.1% from the prior year. Between 1978-79 and 2004-05, constant dollar per student spending has increased 42% in this sector.

*Appropriations
of funds for
California higher
education*

Displays 19 through 28 show total funding for the State’s three public higher education systems along with the annual percent changes in total funding for each system. These displays do not include funding for the other publicly funded components of California higher education. These data are presented individually for each system, by revenue source, and in terms of the proportion of total funding represented by each fund source. Display 19 shows that combined State General plus Local funding for all three public higher education systems is nearly \$12 billion in 2006-07, a

6.8% increase over last year. Recovering from the early 2000s, recession, the past two years' overall level of combined State and Local funds is the highest ever in the 42 years covered in this display. Similarly, for State General Funds separately, last year's \$9.4 billion and this year's \$10 billion are the largest amounts of General funds ever allocated to the combined three public higher education segments.

In terms of total operating revenues, the California Community Colleges are budgeted to receive more than \$6.7 billion in current operations funding in the current year. This is \$408 million (6.4%) higher than in the prior year. California State University 2006-07 current operations funding is expected to grow by \$171 million (3%), with University of California general purpose funding projected to increase \$684 million (3.5%). The major difference between University of California funding and the other two public systems is the larger scale of funds involved and the fact that the majority of the University's current operations funding shown here comes from nonstate sources.

Information presented in Display 26 shows that State General funding for the system will reach its highest level ever in 2006-07. Only local property tax revenues (up \$35 million, or 2%) are projected to increase among the system's other sources of current operations funding. Most funding for the California Community Colleges is covered under the Proposition 98 funding guarantee. In addition, the colleges are funded through a variety of "program-based" budgeting formulas. Recently adopted legislation (Senate Bill 361, authored by Senator Jack Scott) would make substantial changes in the regulations governing community college funding.

For each of the three public systems, the share of total current operating funds represented by systemwide student-fee revenues has increased in recent years. However, for the community colleges, this percentage is expected to drop to 4.7%, its lowest share in four years (Display 27). This is due to a combination of factors for the budget year – the falling off of enrollment growth, the upcoming mid-year reduction in fee levels, and the large number of fee waivers granted to needy students. Resident student fees in the community colleges are projected to generate \$315 million in 2006-07.

In Displays 24 and 25 for the California State University, 2006-07 State General Fund revenues are budgeted to increase to \$2.7 billion, its highest level ever. Similar to a trend in the University of California, the percentage of current operations funds represented by the State General Fund continues its decades-long gradual decline. While State University State General Funds' share of this total in both the current and prior year is currently calculated at just under 46% – an increase over 2004-05 – this is substantially lower than its nearly 69% average share of this total from 1968 through 1988. In only 5 of the past 21 fiscal years, has the year-to-year change in the proportion of current operations funds represented by the State General Fund increased at the State University.

Student fee revenues are anticipated to account for 16.6% of total current operating funds at the State University in the current year, as is shown in Display 25. This share is one-tenth of a percent lower than in the prior year but still its second highest proportion in the 40 years of this display. At more than \$1 billion, State University resident fee revenues are expected to be at their highest level ever, \$25 million above the prior year. These State University student charges generate just under two dollars for every five dollars in State General Funds amounts. This ratio of resident fees to General Funds was below 1:3 just three years ago and was less than 1:5 at the beginning of this decade.

For the University of California, the information in Display 21 shows that for the current year, the University will have operations revenues of \$20 billion, with just under three-quarters of these funds designated special or restricted use. State General Funds are projected to be in excess of \$3 billion, which is still a quarter-billion lower than the 2001-02 high for State General funds in this system. Systemwide student fee revenues are expected to generate almost \$1.4 billion in operating funds this year, a one-year \$30 million increase despite fee levels being frozen at prior year levels. General University Funds are expected to grow by \$18 million this year to around \$562 million.

At the University of California, the 2006-07 proportions of total current operations funds represented by student revenues appears much smaller, maintaining its 2005-06 share of 7.2%. This level is still an historic high for the University of California for the 40 years of data presented in Display 22. With its wider variety of funding sources, the State General Fund's share of this total has generally hovered in the 15% – 20% range over the past 15 years.

As with the State University, the State General Fund's share of current operations funds has also been on a generally downward course since the late 1980s, with occasional spikes upwards. From 1968 through 1988, State General Funds accounted for an average of 29% of overall current operating funds in the University of California; but in the 15 years since the beginning of the 1990 economic recession, this average has been 18.5%. The ratio of resident student fee dollars to State General Fund dollars in the University of California has averaged just below 1:2 for the past 3 years; this average was just over 1:5 prior to the 2000 recession. A similar scenario occurred during the 1990 recession. In the 1990-91 fiscal year, this ratio of student to state dollars was less than 1:8 but by 1994-95 it was nearly 1:3.

Display 23 shows the University's fund sources for organized research, excluding the U.S. Department of Energy laboratories. While the federal government provided more than half of this funding in 2004-05, as it has historically, approximately 15% of this funding came from State general and special State appropriations and contracts with State agencies. An

estimated 28% of this funding was generated by University gifts, contracts and grants, and endowment funds.

*Categories
of expenditures
for the systems*

Displays 29 through 33 show expenditures of general-purpose funds for ongoing operations in each of the three public systems by the various expenditure categories used by each system. General-purpose funds consist almost exclusively of the State General Fund, local revenues, and systemwide student-fee revenues, along with system-specific funds used for regular ongoing operations. In addition, these displays include calculations of the proportion of total expenditures represented by each category of expenditure for each system. When viewing these data, please note that some of these expenditure categories (such as public service and student service) are also funded using restricted-purpose and other revenue sources that are not accounted for in these displays.

Displays 29 and 30 show that in 2006-07, nearly \$3.7 billion in general-purpose funds will be allocated among University of California expenditure categories, nearly a quarter billion (7%) increase. At just under \$2 billion, “Instruction and Research” accounts for 54% of these funds, a fraction more than in the prior year and its highest share since 1993-94. As contrast, general purpose funding for “Organized Research” in the University has been as low during the past to years (7.7% in 2006-07, 7.8% in 2005-06) as it has been in more than 20 years. “Institutional Support” is the second largest category of general University spending and its most steadily funded, rarely ranging far from its 22% average over time. There has been no general purpose funding for “Student Services” for more than a decade and only once over the past quarter century has this category accounted for more than eight-tenths of one percent of total general purpose funding. Primary funding responsibility for student services in the University was switched to student fee revenues at the beginning of the State’s early 1990 economic recession.

Information in Display 32 shows that the California State University will spend 41.5% of its general-purpose funds on “Instruction,” a decline from last year and its smallest proportion in the 40 years of this display. Since its 1967-68 high of 80.6%, general purpose funding for State University instruction has experienced gradual year-to-year declines through the mid 1990s. However, an accounting change that took effect in 1997-98 removed some programs from this category and lowered its share of the total to the 42% – 45% range.

2006-07 general-purpose spending on “Student Services” in the State University is expected to drop nine-tenths of one percent to 15%. General-purpose funding for “Academic Support” is projected to be 11.8% of the total and “Institutional Support” will account for nearly 24.6%, both reductions in their share of general-purpose funding from the previous year. These declines in share are the result of a large increase in unallocated funding reductions and anticipated reimbursements for general purpose-funded activities accounted for in the category “Provisions for Allo-

cation.” This eight year old category averaged just over 1% of general purpose-fund spending through 2005-06 but is expected to account for 6.7% of the total in the current year.

The California Community Colleges general purpose monies are only publicly accounted for in three expenditure categories, by far the largest of which being Apportionments (enrollment funding), as is shown in Display 33. Prior to the economic recession of the early 1980s, “Apportionments” accounted for an average of nearly 99% of community college general purpose spending. Since 1985-86, this average has been less than 90%. The administrative and programmatic responsibilities of the system represent the remaining 11% of general purpose funding accounted for in “Special Services and Operations” and “Administration.”

*Student tuition
and fee charges
and revenues*

Displays 34 through 39 contain a variety of information on resident student fees and non-resident student tuition at the State’s three public systems. For 2006-07, the budget assumes no increases in systemwide resident undergraduate student fees at the California State University and the University of California. Another component of the budget agreement lowers these fees in the California Community Colleges from the current \$26 per unit to \$20 per unit, effective in the winter/spring 2007 academic term.

With these student fee freezes and reductions, the three systems’ combined total revenues from systemwide student charges (not including mandatory campus-based fees) is projected to rise by \$36 million (1.3%) to almost \$2.8 billion in 2006-07. In 1990-91, the last fiscal year before the State’s economic recession of the early 1990s, systemwide student charges generated a total of \$586 million; in 2000-01, the last fiscal year before the State’s economic recession of the early 2000s, these charges generated \$1.3 billion. Including revenues from tuition charged to non-residents, student charges may generate \$3.3 billion in 2006-07. As perspective on the magnitude of the student-generated revenues, this \$3.3 billion is nearly half as much money as the State General fund itself provided to the three systems combined just eight years ago.

The table at the top of the third page of Appendix A shows changes in student fee revenues since 1965-66 (1984-85 for the community colleges) adjusted to remove the effects of inflation. The information shows that for 2006-07 non-inflation revenues (not fee levels) generated from total student tuition and fee revenues are projected to have risen 1,590% at the University of California, 1,331% at the State University, and 183% at the community colleges since 1965-66. These “non-inflation dollar” rates of growth far eclipse those of any other operating revenue source at the State University and the University of California and rival the percentage increases of any fund sources in the community colleges.

It is important to note that increases in student charges revenues over time is the result of a combination of increased enrollments coupled with dra-

matically increased tuition and fee levels. Further, a significant portion of the systems' resident student fee revenues (20% – 33%) is used directly for student financial aid to help mitigate the impact of fee increases. Even so, at an estimated \$3.3 billion, the tuition and fee revenues generated by California's combined three public systems is greater than State General Fund appropriations in every state in the nation except California, Texas and New York (Display 94).

Displays 36 – 39 show undergraduate resident student fee levels and non-resident tuition levels from 1965-66 through the current year. The displays show both systemwide fees and "total" fees, which includes averages of mandatory campus-based fees at the State University and University of California. As noted earlier, no increases in resident student fees are assumed for the current year Fiscal year 2006-07 "constant-dollar" amounts of student fee levels (not fee revenues) are shown in Displays 39 and summarized in Appendix A.

The information shows that for the first time in five years, current year student fee levels will not rise and will, in fact, fall 11.5% at the community colleges. The patterns of resident student fee increases evident in Displays 36 – 39 is one of sharp increases during economic recessions with moderate-to-no increases during more stable economic times. Seven times during the past 41 years, resident systemwide student fee levels at the University of California rose on a year-to-year basis more than 30% and averaged increases of 37.5%. The State University's fee increase information shows a similar pattern, with the average growth in these fee levels for the seven highest percentage increase years being nearly 35%.

Appendix A shows the high absolute levels of fee increases over time when the effects of inflation are removed. When measured in 2006-07 dollars, resident undergraduate "total" student fee levels will still have risen 328% at the State University and 295% at the University over the past 41 years. Over the 20 years of systemwide student fees at the community colleges, fee levels have grown by 201% in constant dollars. The data show student charges revenues to be the single bellweather funding source for the community colleges, State University, and University of California during moderate-to severe economic downturns – and one with above-average performance during good economic times as well.

State financial aid

Displays 40 through 43 show funding for the State's Cal Grant A, B, C, and T student financial aid programs for public, independent and proprietary postsecondary students administered through the California Student Aid Commission (CSAC) over the past 39 years. Display 40 shows total Cal Grant program funding, by sources of funds. For 2006-07, State General Funds account for \$799 million (98.5%) of the \$811 million projected to be spent on Cal Grants. The average annual rate of funding increases for the State's Cal Grant program this decade has been around 12%. At this rate, total funding for the program will top the \$1 billion mark within the next two fiscal years.

Display 41 contains yearly summaries, by program, of new and total Cal Grant awards (including renewals) viewed as a whole. The display shows that in 2005-06, there were 99,461 new Cal Grant awards, an increase of 3,607 awards over the previous year. While the Cal Grant program comprises a relatively small portion of overall student financial aid accessed by California college students, its impact on students is significant. In total, for 2006-07, there are more than 230,000 active Cal Grant awards going to California students.

Display 41a provides separate information on competitive and entitlement Cal Grant A and B awards along with totals that include renewal awards, for fiscal years 2001-02 through 2005-06. This display better reflects the changes to the Cal Grant system adopted in SB 1644 (Chapter 403, Statutes of 2000). In 2005-06, there were 71,312 new Cal Grant “A” and “B” Entitlement Program awards and 22,815 new “A” and “B” Competitive Program awards. Combined information for the Cal Grant “C” and “T” programs shows that there were a total of 8,397 active awards in these programs. However, the bulk of these are “C” awards, as the Cal Grant “T” program has been phased out and converted to a loan assumption program for teachers. Recently enacted legislation could increase the numbers of Cal Grant awards, as it raised the maximum age limit for these awards that are targeted to transfer students.

Display 42 shows that the maximum level of Cal Grant “A” program awards for 2006-07 has been increased to \$9,708, its level for five years prior to 2005-06. A similar change went into effect this year for Cal Grant “B” program award maximums, which returns to its earlier level of \$11,259. The Cal Grant “C” program award maximum has been \$3,168 for the last seven years. Unlike the “A” and “B” programs, the maximum level of “C” awards has changed relatively little over the 34 years of the program. While the “A” and “B” programs are only 4 – 5 years older than the “C” program, the increases in both their award maximums has been far more substantial. Since 1968-69, the maximum level of Cal Grant A” awards has increased 547% and the award maximum for the “B” program has grown \$1,151. However, the award maximum for the smaller Cal Grant “C” program has increased only 27% since the program’s creation in 1973-74.

Display 43 shows number of outstanding student loans and total student loan dollars guaranteed by CSAC in three groupings of educational sectors through the 2004-05 fiscal year. Both the number of student loans and the total dollar amounts of those loans increased for all three sectors over the past year. The total number of loans to students attending the State’s public systems rose 4.5% in 2004-05 and 2.8% for the State’s independent institutions and proprietary schools. In total, CSAC guaranteed 1,418,142 student loans in 2004-05 at a dollar value of more than \$6.4 billion. Both of these numbers represent increases of more than 24% over the previous year.

*Capital outlay
funds*

Displays 44 through 49 show capital outlay (construction and building renovation projects) funding for California's three public higher education systems, including both State and non-State fund sources. Due to the volatility and project specificity of the funding source "Other, Non-State," it is excluded here from the calculations of annual percent changes in total capital outlay expenditures. The 2006-07 budget includes \$1.4 billion in State capital outlay funding for the three public systems, a very small portion of this from prior voter-approved general obligation bonds. The majority of capital construction funding is expected to come from another education bond initiative the state's voters will be asked to approve later this fall.

The University of California will expend around \$141 million in special funds on capital projects this year in addition to \$325 million in regular state funding. The California State University's projected \$332 million in state construction funding in 2006-07 is almost \$12 million lower than last year. State capital outlay funding for the California Community Colleges will exceed \$550 million this year. It is important to note that capital construction items are multi-year projects and year-to-year funding levels can be misleading, relative to a segment's construction program. In addition, occasionally fund sources for projects are changed and prior-year accountings for construction funding must be revised.

For the past two decades, California public higher education has come to rely almost exclusively on general obligation bonds approved by the electorate in statewide initiatives. With the exception of a 1994 initiative that was defeated, all such recent education bond initiatives have passed. Similarly, most community college districts have experienced high rates of success passing local bond issues, since the approval threshold for these bonds was lowered to 55% in 2001. Yet the question always remains as to what financing alternatives exist for the public segments' multi-billion dollar construction programs should the voters decline to approve a statewide general obligation bond. "Lease revenue" bonds, local and fee-based financing, and other schemes of construction financing could provide stop-gap construction funding. However the loss for even one or two years of state capital outlay bond financing would be a major blow to the systems' building plans.

*Independent
institutions in
California and the
nation*

Displays 50 through 60 show information for California's independent colleges and universities belonging to the Association of Independent California Colleges and Universities (AICCU). Displays 50 and 51 show information on student financial aid for all independent institutions through 2005-06. Display 50 shows that a total of 27,917 students attending independent institutions received Cal Grant awards or Graduate Fellowship awards in 2005-06, an increase of 118 students (0.4%) over the prior year.

Display 51 shows the value of the Cal Grant maximum award level in relation to average tuition and fee levels in the state's independent institu-

tions. For 2004-05, the percentage of tuition at independent institutions covered by the maximum “Cal Grant A” award dropped down to 34.3%, as the maximum grant award level was reduced to \$8,322 from its prior level of \$9,708. This lower grant award maximum was continued into the 2005-06 fiscal year but was restored to \$9,708 in 2006-07. At the beginning of the 1980s, Cal Grant awards covered an average 69% of tuition levels in the state’s independent colleges and universities. This buying power has gradually eroded over time and in only three of the last 18 years has the grant award been at least 50% of the average tuition level.

Displays 52 through 57 deal with current fund revenues, enrollments, and educational and general (E&G) expenditures in AICCU institutions through fiscal year 2004-05. In Display 52, total current fund revenues for independent institutions continue to accelerate after declining significantly at the beginning of the 2000s. Total current fund revenues in the independent colleges topped \$15.5 billion in 2004-05, up \$1.8 billion (13%) from the prior year. When coupled with a 6,165 (3%) increase in funded enrollments, total current fund revenues per FTE student rose to an average of \$76,893 in 2004-05. This represents an increase of \$6,894 (10%) above 2003-04. Display 53 shows that each FTE student generated an average of 30% of these in revenues in tuition in 2004-05.

Display 54 shows information on headcount and FTE enrollment and weighted average tuition levels for independent institutions. Information for 2004-05 shows that 245,765 students enrolled at AICCU institutions, a 5.9% increase over the prior year. The weighted average tuition at AICCU institutions in 2004-05 was \$24,282, a 6.3% increase over the prior year. While the weighted average tuition level for each student was \$24,282, the actual average tuition revenue generated by each FTE student was \$22,890. Actual student-generated revenues covered only two-thirds of the calculated average instruction-related expenditures per FTE student in 2004-05. Display 18a contains additional information on these “cost per student” calculations.

Displays 55 through 57 show education and general (E&G) expenditures, average expenditures per FTE student, and instruction-related expenditures. Total E&G expenditures at the AICCU institutions grew to \$6.9 billion in fiscal year 2004-05, a \$381 million (6%) increase over 2003-04. For fiscal year 2004-05, average E&G expenditures per funded student were \$34,203, \$869 (3%) higher than in the previous year. Display 56 presents E&G expenditures in program categories. There has been very little change in the proportions represented by each expenditure category over the past six years, with “Instruction” – at \$2.9 billion – maintaining a share of around 42% during this decade. The category experiencing the greatest change over time is “Scholarship and Fellowship,” which accounted for 14% in 1998-99 but has declined to an average of only 2% since that time. As is often the case with such significant shifts, it is possible that the program mix for this category was changed at that time.

Displays 58 through 60 show state funding and enrollment information for independent institutions for selected states. This information is gathered through the State-National Information Network (SNIN) of the National Association of Independent College & University State Executives (NAICUSE). Display 58 shows that, for the 21 states for which data were available for 2004-05, California ranked third behind New York and Pennsylvania in the amount of State funds allocated to independent colleges and universities. Information for fall 2004 in Display 60 shows that California also ranked third in headcount enrollment in independent institutions among the states reporting. There are five states in the nation that enroll more than 200,000 students in their respective independent higher education sectors – New York, Pennsylvania, California, Massachusetts, and Illinois.

Appendix A (page 4) shows changes in FTE enrollment nationally over the last ten years (fall 1994 to fall 2004) for California and other selected states with large independent sector enrollments. Wisconsin (14%), California (12%), Tennessee (12%), and Minnesota (10%) all recorded year-to-year increases in funded student enrollment of over 10% for the most recent year. Over the past ten years, Texas' 613% increase – enrollment of 16,048 in fall 1994 to 114,462 in fall 2004 – is by far the largest increase recorded. California (36%) has the second highest rate of enrollment growth over this time, followed by Tennessee (26%) and Ohio (25%).

*Enrollments in
California public
postsecondary
education*

Displays 61 through 64 show headcount and “funded” – full-time equivalent (FTE) – student enrollment for the California Community Colleges, the California State University, and the University of California. Funded enrollments are projected to increase 34,728 FTE students in the community colleges, 15,818 FTES in the State University, and 5,811 anticipated in the University of California. The data estimate that for the three systems as a whole, 36,899 more headcount students will enroll in the 2006-07 academic year than in the previous year.

Displays 63 and 64 show breakdowns of FTES enrollment in the University of California, the California State University, and the California Community Colleges. The information in Display 63 shows that the University's non-health sciences enrollment for 2006-07 are expected to increase 6,459 FTES (3.4%), while health sciences enrollment will decline by 648 students (5%). In Display 64, the State University FTE enrollment information is shown by level of students, while the community colleges' FTE enrollment information is presented by funding source. State University funded student enrollment is anticipated to grow by 5% and the Community Colleges funded enrollment is expected to increase 3%.

The information shows that whether measured in terms of actual (headcount) or funded units (FTE), student enrollment in California public postsecondary education has risen significantly since the early 1990s and is slowly recovering from the effects of the early 2000s economic reces-

sion. Over the past ten years, community colleges FTE enrollment has increased 31%, State University FTES enrollment has grown 27%, and University of California FTES enrollment has grown 37%.

The information in Display 61 and Appendix A shows that nearly three and a half times more students now enroll in the community college system as compared to the mid 1960s. The State University has also nearly tripled its headcount enrollment during this time and the University of California has almost two and two-thirds as many students now as it did 42 years ago. In total, California's public higher education enterprise (including Hastings College of the Law) now enrolls almost 2.3 million students.

Price (inflation) indices, income growth, and system financial support

Displays 65 through 67 show actual index values, annual percent changes, and inflation factors (used for "constant-dollar" conversions) for selected State and national price indices, including the Higher Education Price Index (HEPI), California Personal Income, and Implicit Price Deflators, through the 2006-07 fiscal year. These indices are described in detail in Appendix B. Due to a lack of available updates, projections are available only for the prior and current fiscal years for the Research and Development and Boeckh Construction Price indices.

For 2006-07, nearly all of the inflation measures show a rate of price increases in the 2.5% – 3.5% range, generally a reduction from the year-to-year change registered for the prior year. The exceptions to this are California Personal Income, which is expected to increase 7.8% this year. Both the State and Local Purchases Index (3.7%) and the Higher Education Price Index (3.5%) are at the high end of year-to-year inflation increases shown in the displays.

Changes in the inflation indices over time, in Appendix A, show that most of the indices have increased 13% – 18% over the past five years, the exceptions again being California personal income (27%) and the State and Local Purchases Index (23%). When divided by the State's population, personal income growth since 2001-02 is 18%. Excluding personal income, the highest rates of price inflation from 1965-66 to the present are State and Local Purchases Index (648%) and the Research and Development Index (578%).

Actual and constant-dollar state-determined funds

Display 68 compares the annual percent changes in some of the indices with annual changes in State General and Local Funds in the three public higher education systems. Also included are annual budgeted faculty salary adjustments and the Commission's yearly faculty salary parity adjustment calculations for the California State University and the University of California. For 2006-07, the Commission estimates that the State University would need an 18% increase and the University of California a 14.5% increase to gain parity with their respective groups of comparison institutions. Salary differences initially projected for the current year are usually adjusted downwards once information on actual salary changes at

comparison institutions and at the State University and University of California are factored into the salary parity calculations in the following year. Still, the faculty salary parity gaps for each system have grown steadily in recent years and even with the increased funding provided in the 2006-07 budget, the projected salary parity gap is reaching levels that will make it nearly impossible to close.

Display 69 shows comparisons of fund sources labeled here “State-determined funds” for the State’s three public higher education systems. These are fund sources (primarily State and local funds and student charges) over which the State and/or the education systems exercise policy-making or allocation authority. For the State University and University of California, State General Funds represent the majority of State-determined funds but not as large a proportion as in past years.

As with earlier displays, the data here show the relatively diminished role that State General Funds plays in financing segmental operations. In the mid-1960s, the General Fund (plus Local revenues for the community colleges) accounted for essentially all of this funding, and even as late as the early 1980s, its share of this total still averaged close to 90%. In 1996-97, just after the recession of the early 1990s, State General funds represented 70%, 73.3% and 92.3% of total State-determined funds respectively for the University of California, the State University, and the community colleges. For the current year, these percentages are down for the State University (67.8%) and the University of California (60.2%), but have stabilized at 92.6% for the community colleges.

As noted above, State General Funds plus Local revenues still account for the overwhelming majority of this funding in the California Community Colleges. Prior to the imposition of statewide student fees in the system, these funds accounted for nearly all of the system’s operating revenues, however since 1985-86 its share has settled into the 92% – 94% range.

The proportion of State-determined funds represented by systemwide student fee revenues is projected to be 25.8% for the State University and 28.1% for the University of California in 2006-07. Both of these percentages are slight declines from the previous year, owing to this year’s combined General Fund increases and student fee level freezes. Since the beginning of the early 1990s recession, the shares of State University and University of California State-determined funds represented by student fee revenues have more than doubled and are now regularly in the 25% – 30% range.

For all of the systems, revenues from the State lottery represent very small proportions – 0.6% to 2.7% – of the systems’ total State-determined funds for their operations. The lottery has never represented more than 1.1% (1988-89) of this total for the University of California and its high for the State University was 2.8% in 1989-90. For the community colleges, 1988-89’s 5.4% represents the high for lottery revenues as a pro-

portion of total State-determined funds. Since the beginning of this decade (1999-2000), the lottery has represented an average of only 2.8% of these revenues at the community colleges, 1.2% at the State University, and less than 0.5% at the University of California.

Displays 70 through 75 show appropriations of State-determined fund (SDF) sources for current operations in current (actual) dollars and 2006-07 “constant” dollars. These are shown as total appropriations, by SDF fund source, and as per Full-Time Equivalent (FTE) student averages for each system. These SDF data are the numbers used for the percentages of fund-source shares presented in Display 69. For the University of California, total current-dollar State-determined funds per student are projected to increase 3.1% over last year’s levels to an average \$24,173. The 2006-07 constant dollar one-year change is a slight decline of four-tenths of one percent. As shown in Appendix A, constant-dollar total SDF per student in the University has risen only 14% in the 39 years covered in this measurement. Though not shown here, University student fee revenues per FTE have risen 467% over this same period.

For the California State University, the one-year total current dollars per student change in these funds is a decline of 1.9%. The one-year constant dollar change here is a drop of 5.2% and the 39 year constant dollars per student change is an increase of only 16%. Again, this small change over time contrasts substantially with the 352% increase in constant dollar student revenues per FTE since 1967-68. California Community Colleges’ SDF per FTE funding is projected to grow 3.5% in 2006-07, with a constant dollar change of less than a tenth of a percent. At 21%, the 39-year change in constant-dollar total SDF per FTE funding is the highest of the three public systems. Due to the later (1984-85) imposition of statewide student fees, and the low levels of these fees, constant-dollar student fee revenues per student in the community colleges over time have increased only 33%.

Constant-dollar per student funding from the State Lottery since its inception in 1985-86 has declined for the community colleges and University of California but has increased for the California State University. These funds have dropped 40% for the community colleges and 47% for the University of California but have increased 22% for the State University. The main reason for this variance appears to be an artificially low initial lottery allocation (actual dollars) for the State University – it more than doubled in the second year before settling into a more normal rate of growth. The other two systems have seen a steady, if meager, rate of growth of lottery funding from the first year forward.

*Hastings College of
the Law and public
school support*

Display 76 shows the State General Fund and total funds (including student fee revenues) for Hastings College of the Law and the school’s FTE student enrollment. Hastings College’s 2006-07 State General Funds are budgeted to increase by more than 21%, while it’s Hastings Funds (mostly revenues from student charges) are projected to decrease by half

declined slightly (2.7%) while its total funds increased by 50%. This revenue gain has been due primarily to increases in student charges. Since 1996-97, Hastings' State General Funds have declined 17.4% while its Hastings Funds have increased 110%. Hastings College resident student tuition levels have also doubled during this period, while its non-resident tuition levels have increased 46%.

Over the last 21 years, since the beginning of the State lottery, Hastings enrollments have declined by 213 students (14.6%), mostly due to an enrollment management plan. During this time, the college's total funding has grown 217% but its State General Fund revenues have fallen by 6%. Hastings Funds have grown 876% over this period, driven by resident student tuition increases of more than 1,700% and non-resident tuition increases of 220%. Hastings' lottery revenues are up just one percent since 1985-86.

*Per-capita spending
in California public
education*

Displays 77 through 79 show overall funding and funded enrollment information for California public elementary and secondary education (K-12). Total funding for public K-12 education, including federal and other funds, is estimated to be \$67 billion in 2006-07, an increase of \$3 billion (4.3%) over the adjusted totals for last year. Combined State and local funding for public K-12 education is almost \$59 billion this year, \$3 billion (5.2%) higher than in 2005-06. The one-year percentage increases in funding from State and Local sources for the current year are larger than they appear because they are calculated on an increased funding base for 2005-06. The year-to-year change in K-12 State/Local funding between 2004-05 and 2005-06 is 8.6%. These substantial increases in prior year funding were part of the funding agreement for the current year.

Enrollment in the public school system is measured in units of "average daily attendance" (ADA), and the system's funding is primarily based upon levels of ADA. Beginning with years 2002-03, the enrollment information in this display has been updated by the California Department of Education. The information shows that funded public K-12 enrollment has leveled off in recent years. The estimated 6.34 million ADA in 2005-06 is lower than the 6.36 million accounted for in 2003-04. Starting in fiscal year 2002-03, Display 78 includes a separate category for "Charter Schools," and accounts for charter schools enrollments at all grade levels. The data show an increase of 42,423 (27.6%) charter schools since 2002.03.

Displays 80 through 83 show "per-capita" appropriations of revenue sources for current operations for the public K-12 education and higher education systems. Per-capita calculations divide a given data series by a defined population grouping; in this measurement, funding levels are divided by the population of the State of California. These displays for K-12 education and the three public postsecondary education systems show changes in per-capita funding over the years and contrasts per-capita funding in each education system from only State funds (including lottery

revenues) with changes in “combined” per-capita funding, which includes local funds for K-12 and student fee revenues for the postsecondary systems.

The information shows that per-capita State spending will increase for all three systems, although more significantly for the community colleges (6.2%) and the University of California (6.5) than for the State University (1.7%). The same trend occurs, although at lower levels, when changes in combined fund sources are systems are measured. The data also show that per-capita, combined-source funding for K-12 education is nearly ten times greater than that for any of the higher education systems.

Display 84 shows average per-capita combined funding source spending for the State’s four public education systems from the four prior displays individually and as a “K – University” total for each of the past 42 years. Using these data, Display 84 calculates 2006-07 average per-capita appropriations for the California’s four public education systems as one total. Of the \$1,898 in projected total per-capita funding for 2006-07, the K-12 Education share is 78.4.7%. For higher education, the community colleges share is 9.1%, the State University share is 5.3%, and the University of California share is 7.2%.

These shares of combined per-capita have changed little since the passage of Proposition 13 in 1978. In the six years before Proposition 13, funding for the community colleges represented a larger share and K-12 a smaller one, though prior to that, the K-12 / community colleges funding relationship was reversed. A great many factors affect these proportions and viewing any one year will not show the entire picture; however all of the higher education systems achieved their largest shares of combined per-capita funding prior to the 1990s recession. The highest year for the community colleges was 1977-78’s 11.9%; for the State University it was 1980-81’s 7.1%, and for the University of California, the highest share was 1986-87’s 10.2%.

Display 85 shows per-capita appropriations of State General Funds in five “combined” State expenditure categories (as shown in Display 6) for years 1967-68 through the present. These data are also shown proportionally, as their respective “shares,” of the total of per-capita State General Fund expenditures. Among the spending categories, K-12 Education has the largest dollar amount (\$1,080) and the largest share (41.2%). The second largest category is Health and Human Services (\$780 and 29.8%), followed by Higher Education (\$303 and 11.5%), General Government (\$229 and 8.8%), and Corrections and Rehabilitation (\$228 and 8.7%). (General Government has been more susceptible to past-year revisions and so this preliminary view of its funding and share will likely change.)

Year-to-year per-capita appropriations for 2006-07 are projected to increase in all five expenditure categories. In total, the State is expected to spend \$2,622 dollars per California resident in 2006-07 in these five areas of government. This represents a \$169 (6.9%) increases over last year in

total for per-capita appropriations in the five expenditure categories. Since 1967-68, per-capita funding for Corrections and Rehabilitation has grown by the largest margin (3,293%), nearly doubling the percentage change of the nearest category, Health and Human Services (1,555%). Total State per capita spending has increased 1,444%, K-12 spending 1,433%, and Other Government spending 1,257% since 1967-68. State General Fund spending for Higher Education has gone up 964%, in comparison to the other categories over the past 39 years.

Display 86 calculates actual California “per-capita” personal income since 1965-66 using information and methodology from the United States Bureau of Labor Statistics. The information in this display differs from the “California Personal Income” shown in Display 66 in that per-capita personal income shown here is the average income for each person living in the State (please see “Definitions”), while the earlier display measures overall changes in income not divided by population.

Using revised November 2003 U.S. Bureau of Labor Statistics information provided by the California Department of Finance, it is estimated that California per-capita personal income will increase by 6.4% for 2006-07. In “deflated” dollars (using the State CPI), per-capita personal income for 2006-07 will rise 3.2%. As is shown in Appendix A, during these past 42 years, constant-dollar per-capita personal income in California has increased 67%, while the State’s population has grown 103%.

*Education funding
and enrollments in
comparison to state
funding and population
growth*

Display 87 shows changes in the averages of State and combined fund appropriations, per person, for Californians served in the two education areas (K-12 and higher education) in terms of State funding and “combined” funding that includes fee revenues and lottery monies. The population information used in these calculations is shown in Display 88. First, the combination of the State General Fund, Local Tax Revenues, and Non-governmental Cost Funds (see Display 8) are divided by the State’s population, similar to the calculation for the State’s “per-capita” spending. Then, for public higher education, the systems’ combined State, local, and student fee revenues are divided by headcount enrollment to provide caseload average appropriations. Finally, K-12 combined (State and local) funding is divided by K-12 headcount enrollment.

In terms of annual change for 2006-07, overall State funding per California resident is projected to increase 2.4%, while K-12 State and Local combined caseload funding increases 7.2%, and higher education funding per student rises 4%. As is shown in Appendix A, these measurements continue to show that relative to increases in its service population, State funding for higher education has experienced by far the lowest overall growth in public-fund “dollars per caseload” of the three categories. This holds true whether measured in actual or constant dollars. Higher education’s 19% constant-dollar 41-year growth rate in per-student funding is one-fifth of the 95% growth rate for per student combined State and Lo-

cal funds for K-12 education and even less of the 146% rate of growth in overall State funding per California resident.

Displays 88 and 89 show California's population and headcount enrollment in the State's public K-12 education system and in its three public higher education systems. Headcount enrollments in the California Community Colleges has increased the most of those shown here since 1965-66 (253%), followed by the California State University (181%), the University of California (162%), and K-12 headcount enrollment (63%). Over the most recent five years, the community colleges have lost enrollment (-4%) and, with its size, this has resulted in a decline in overall higher education enrollment over this time (-2%). During the most recent five-year period, State University headcount enrollment has increased 1% and University of California enrollment has grown 11%. Since 1986-87, combined public higher education enrollments have grown only 23%, compared with a 36% increases in K-12 enrollment.

Display 90 shows comparisons of overall State General Fund appropriations (SGFs) and State populations with changes in public higher education systems' State and Local funds and combined headcount enrollments. For the most recent year, overall State General Fund appropriations are anticipated to increase 4.4% and higher education State plus Local funds will rise 6.8%. Information for Display 90 in Appendix A shows that for the most recent five years, actual-dollar overall State General Fund appropriations (from Display 8) have increased 19%, while higher education State plus Local funding has increased 13%. In constant dollars, both State General Funds and higher education General plus Local funds are lower now than they were in 2001-02.

As the length of time covered in this measurement increases, however, the gap between the two funding areas widens in both actual and inflation-adjusted dollars. Since 1996-97, constant dollar total State General Fund appropriations have increased 25%, while higher education General plus Local funds have grown only 8%. Over the past 20 years, these percent changes are 40% for total General Funds and 11% for higher education funding. From 1965-66 to the present, constant dollar overall General Fund appropriations have increased 375%, with higher education General plus Local funds rising less than half that rate (180%). In actual dollars, the differences are even similarly stark, although the 41-year change of 2,112% for higher education General plus Local funds is nearly two-third the 3,449% growth rate in overall General Fund appropriations.

*National comparative
higher education
appropriations and
expenditures*

Displays 91 through 98 present information comparing spending on higher education among the 50 states and the District of Columbia. Displays 91 through 94 use information compiled by the Bureau of the Census in its publication "Government Finances," and its succeeding data published only over the internet. The federal government defines some sources and uses of funds differently than does California and excludes

some fund sources for higher education in its calculations that are generally included for California in state-level analyses.

As a result of these differences, some calculations shown here, such as per-capita expenditures in Displays 91 through 94, are not comparable with those in earlier displays in this report. They are included here because these data from the federal government are the best source of information available higher education spending that controls for state variances to produce consistent comparisons across the fifty states. It is important to note that these federal data include expenditures of federal funds for higher education, in addition to state and local fund sources.

Displays 91 and 92 show changes in per-capita state and local government higher education spending over a 38-year period, ending in fiscal year 2003-04. The Bureau reports that no state-by-state data were collected for fiscal years 2000-01 and 2002-03. The average percent change in these expenditures from 2001-02 to 2003-04 across the seven most populous states is 7.5%, while the average for the 50-states as a whole is 7.4%. California's 2.3% change is the smallest of the seven largest states, just over half the two-year growth rate of the next lowest state, Texas (3.9%). Illinois (14.9%) experienced the largest percentage increase in per-capita state and local higher education spending over this time. Appendix A shows that California (972%) has had the lowest rate of growth measured here over the past 37 years. Pennsylvania (2,310%) and Illinois (1,512%) have experienced the fastest rates of growth over this time period, followed by Texas (1,453%) and Ohio (1,331%). The national average change in this funding since 1966-67 is 1,227%.

Display 93 expands this comparison to cover the 30 most populous states for the 16-year period 1986-87 to 2003-04. California was in the top ten of the states measured here for the earliest four years shown, then slipped to as low as twenty-first during the recession of year of 1993-94. For the most recent two years, California's ranking has ranged between eleventh and thirteenth, its highest two-year average since before the 1990s recession. For 2003-04, California spent an average \$615 in per-capita expenditures for higher education, for a ranking of thirteenth among the 30 most populous states.

California's "cumulative" ranking (an average of the 16 years measured here) is also thirteenth among these 30 states, at \$400 per person. California still ranks second highest to Michigan (\$509) among the ten most populous states for the cumulative 16-year ranking. The top-ranked states for 2003-04 in per-capita spending calculation are: Iowa (\$836), North Carolina (\$790), Michigan (\$786), Wisconsin (\$767), and Alabama (\$746). The top-ranked states in the cumulative, 16-year per-capita spending calculation are: Iowa (\$549) Michigan (\$509), Wisconsin (\$489), Oregon (\$472), and Colorado (\$466). Of the most populous states, Texas (\$388) is sixteenth and New York (\$305) is twenty-sixth in the cumulative 16-year ranking of this per-capita spending.

Michigan's high ranking per-capita spending continues to contrast with the general rule for this measurement that states with largest per-capita expenditures for education – and most other government program areas – tend to have relatively smaller populations to divide these expenditures by. Michigan is the only state that ranks in the top ten in population that also ranks in the top ten in these per-capita expenditures for higher education. Michigan has been in the top four states during each of the 16 years of this analysis. Iowa, the nation's thirtieth most populous state, has the highest level of per capital spending on higher education for the most recent year, for the cumulative sixteen year ranking and in each individual year's data show here.

Displays 94 and 95 show appropriations of State funds for higher education (as defined by The Grapevine, the higher education finance database operated by the Center for Higher Education Studies at Illinois State University). These displays show information for the nation's 35 most populous states for the last 22 years with annual (and other intervals) percent changes in these appropriations. For 2006-07, California continues, by far, to have the nation's largest overall higher education appropriations, as it has for the entirety of this data series. California's estimated \$9.6 billion in higher education spending (as defined here) is its highest ever but it is the first year that it has been above 2001-02's \$9.4 billion. The next closest states Texas (\$5.2 billion) and New York (\$4.4 billion) spend just over half the amount allocated in California.

The one-year changes in higher education appropriations (2004-05 to 2005-06) show that only four of the 35 states shown here (Illinois, Mississippi, Missouri, and West Virginia) experienced declines. The one-year change for the 50 States as a whole was an increase of \$3.7 billion (6%), with the total funds reaching \$66.6 billion. The 24-year percent increases for the five most populous states are: 242% for California, 299% for Texas, 407% for New York, 183% for Florida, and 181% for Illinois. The state of Georgia (440%) has achieved the largest percentage increase in funds between 1982-83 and 2006-07, followed by Florida (407%), North Carolina (404%), Washington (394%), Utah (384%), and Arkansas (332%).

Display 96 presents higher education current fund appropriations and annual percent changes for the past 26 years in those states that have appropriated more than \$1 billion to higher education operations – a group called the “Megastates” by Peirce (1972). For the purposes of this display, megastates are defined here as those states have appropriated at least \$1 billion to higher education in each of the most recent five fiscal years. This entire data series has been updated for prior years.

Due to its sheer size, California's appropriations far eclipse those of the next closest state. Thus, this display also includes state funds for the California State University and the University of California (CSU/UC) as the equivalent of a state. Funding for these two systems together (\$5.5 billion), without the addition of the California Community Colleges and

other higher education institutions and agencies, would constitute the second largest “State” in terms of state-funded higher education appropriations for every single year shown here.

The funding difference between the CSU/UC combination and the state with the next largest level higher education appropriations – Texas (\$5.2) – is only \$211 million for 2005-06. This difference has ranged from a high of more than \$1.2 billion, to a low of only \$57 million. For 13 of the first 16 years of this data series, the State of New York ranked third in this measurement, ahead of Texas. Beginning in 1997-98, Texas’ higher education appropriations eclipsed New York’s. In recent years state higher education in both Texas and New York has risen so as to substantially close the gap with CSU/UC. For fiscal year 1983-84, both states actually ranked ahead of the CSU/UC combination in the funding measured in this survey but this has not occurred since.

Display 96 also presents the 18 states by their annual percentage change in appropriations of State funds for higher education. In the most recent year-to-year comparison (2004-05 to 2005-06), higher education funding in California increased 9% and the combination CSU/UC’s appropriations rose 6%. The megastate with the largest anticipated one-year rate of growth in higher education funding for 2005-06 is Alabama (15%); the only megastate with declining higher education appropriations here was Illinois (-3%). The 18 megastates (excluding CSU/UC) estimated a year-to-year increase in higher education spending of \$2.8 billion (6.5%) in 2005-06 and allocate a total of \$47 billion between them. For the revised 25 years of data presented here, Georgia tops the list (as noted above) of megastates in terms of cumulative percent change in higher education funding over time as it did in prior such measurements. Florida, North Carolina, Washington, and New Jersey (323%) round out the top five in cumulative percent increases in higher education funding.

Display 97 compares State General Fund appropriations for current operations of the California State University and the University of California over the past 16 years with those of their respective national public faculty salary comparison institutions.

State General Funds for the University of California rose 5.2% between 2004-05 and 2005-06, the second highest rate of increase of the comparators. The University of Virginia received a higher rate of increased state funding (8.9%). Combined state funding for the University of California and its four public comparison institutions increased 3.8% for 2005-06, with the University’s \$2.8 billion accounting for more than three-quarters of the \$3.6 billion total shown here. Since 2001-02, funding information for the State University of New York system has not been provided for its individual institutions, thus, no specific funding totals are reported for the UC comparator SUNY Buffalo.

The California State University’s 7% increase in State General Funds for 2005-06 exceeded the 5% average increase for its 15 public comparison

institutions. Though only estimates of funding were available for the University of Wisconsin, Milwaukee – and no campus specific data is available for SUNY, Albany – the overall trend in one-year funding among these institutions was generally one of single-digit increases. State spending at the Illinois State University dropped by the largest percentage here (-4.7%), while State spending at the George Mason University in Virginia rose by the highest (10.7%).

Finally, Display 98 shows a summary of State General Fund appropriations for ongoing higher education operations in the 50 states over the past 40 years, along with annual and two-year percent changes. Changes in the United States Consumer Price Index (U.S. CPI) and the Higher Education Price Index (HEPI) are also shown here for comparisons. These data show the one-year change for 2005-06 in total national higher education spending is a \$3.8 billion increase (6%), as noted in a previous display. This is largest year-to-year dollar gain recorded in the 40 years covered in this display. Per-capita higher education spending for the nation as a whole rose 5% to \$225 in 2005-06. In general, the information available on national higher education spending for the most recent years available shows a gradual recovery from the earlier recession.

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